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FOSTERING EMPLOYEES' RIGHTS BY IMPROVING THE LABOR REGULATORY FRAMEWORK IN ALBANIAN BUSINESSES

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ABSTRACT

This paper explores the role of the employment relations regulatory framework in expanding employee rights, with a particular focus on pay transparency, career progression, and gender equality. The purpose of this study is to examine how these elements impact organizational performance in both public institutions and private businesses. While pay transparency policies aim to address pay discrimination and improve employees' rights, pay transparency practices foster trust and cooperation among employees, enhancing their engagement at work and allowing employers to benefit more effectively from their skills, productivity, and overall performance. At the organizational level, such practices support fair employee evaluation, promote diversity and ethical behavior, strengthen the institution's public image, and increase social accountability. This study employs a qualitative and primarily theoretical approach, following an in-depth review of the literature in the field and research in the Albanian regulatory framework. The findings indicate a growing emphasis on transparency within public institutions, although challenges persist in the practical implementation of legal provisions. The research highlights a moderate level of awareness among private-sector employers, often driven by foreign companies operating in Albania. While the study does not provide extensive empirical analysis, it offers preliminary insights and practical recommendations aimed at enhancing employer accountability and supporting the alignment of Albanian institutions with European standards.

KEYWORDS: Labor Legislation, Pay Transparency, Gender Gap, Human Resource Management, Acquis Communautaire, Information Asymmetry.

INTRODUCTION

In today's globally interconnected and increasingly complex labor market, the protection of workers' rights and the principle of equal treatment have become more crucial not only from ethical and social standpoints but also from legal and economic perspectives.

Globalization and digitalization have transformed the way people work and search for jobs, making it easier to access remote employment opportunities across borders and increasing the complexity of the employment landscape^[1]. In this expanded labor market, employees and employers can better meet their needs by accessing a wider range of opportunities and talent. Within this evolving context, pay transparency has emerged as a relevant policy concern and is receiving greater attention nowadays^[2]. According to Hartmann and Slapničar (2012)^[3], pay transparency refers to the extent to which employees are familiar with each other's pay levels, which can range from full, partial to limited transparency, depending on what employees know about their colleagues' wages. It is generally agreed that pay transparency is a fundamental tool for correcting pay gaps, preventing discrimination, and enhancing workers' positions in their employment contracts^[4]. It influences the employees' motivation and performance while improving the efficiency of the labor market^[5]. In practice, pay transparency supports a merit-based promotion system, ensuring that employees are rewarded based on their contributions, which makes them

 $^{^{\}rm [1]}$ CIJAN, A., JENIČ, L., LAMOVŠEK, A., & STEMBERGER, J. (2019). How digitalization changes the workplace. Dynamic Relationships Management Journal, 8(1).

^[2] SCHUMANN, L. (2024). Pay transparency and pay communication. Compensation & Benefits Review, 56(1), 7–15.

^[3] HARTMANN. F. & SLAPNIČAR, S. (2012): Pay fairness and intrinsic motivation: the role of pay transparency. The International Journal of Human Resource Management,

^[4] LAHUERTA, S. B. (2021). Comparing pay transparency measures to tackle the gender pay gap: Best practices and challenges in Belgium, Denmark and Iceland. European Equality Law Review, 2021(2).

^[5] CULLEN, Z. B., & PEREZ-TRUGLIA, R. (2018). The motivating (and demotivating) effects of learning others' salaries. Harvard Business Review, October 25, 2018

feel valued and ultimately strengthens organizational trust^[6]. On the other hand, according to several research^[7] the lack of pay transparency can lead to information asymmetry and inefficiencies in labor markets^[8].

Motivated by international legal standards, the push for greater pay transparency reshapes employment regulations globally. In Albania, labor market informality and weak enforcement mechanisms pose major challenges to wage fairness and the protection of employee rights, which are essential for achieving equitable working conditions and sustainable economic growth. As part of its EU integration efforts, the country has taken steps to align its employment legislation with European standards (Acquis Communautaire). Within this context, pay transparency remains problematic, particularly in terms of legal clarity and implementation. Although the Labor Code of the Republic of Albania includes general anti-discrimination provisions, the absence of specific regulations on wage transparency creates a significant gap, especially in the private sector.

This regulatory gap is not only a legal and economic issue but also a matter of fundamental human rights. According to the Universal Declaration of Human Rights (Article 23), everyone has the right to fair and equitable remuneration, freedom from discrimination, and transparent conditions of employment, ideals that pay transparency upholds. Therefore, encouraging pay transparency supports the larger framework of human dignity, equality, and justice in the workplace.

This paper aims to explore how the Albanian labor regulatory framework can be strengthened to support employee rights. Through a theoretical review and contextual reflection, the study discusses key barriers and offers general suggestions for improvement, particularly given Albania's European integration objectives.

^[6] BAMBERGER, P. A. (2021). Pay transparency: Conceptualization and implications for employees, employers, and society as a whole. Oxford Research Encyclopedia of Business and Management; TENHIÄLÄ, A., CHUNG, D. J., & PARK, T.-Y. (2023). Procedural pay transparency, motivational climate, and employee outcomes. Compensation & Benefits Review, 56(2), 83–102.

^[7] NYE, Y. (2023). The economics of information: Unraveling asymmetric information and market failure. Journal of Economics and Economic Education Research, 24(6).

 $^{^{[8]}}$ AKERLOF, G. A. (1970). The market for lemons: Quality uncertainty and the market mechanism. The Quarterly Journal of Economics, 84(3), 488–500

MATERIALS AND METHODS

It is broadly accepted that a strong legislative framework is essential for ensuring and protecting employees' rights. Recently, pay information and transparency have drawn considerable attention in both Europe and the United States^[9], leading to changes in the respective legislation. Beyond individual policies and practices, the European countries are also acting 'in bloc' to improve the policies and practices that contribute to higher transparency. The EU Pay Transparency Directive (2023), with an implementation deadline of June 7, 2026, obliges member states to adopt national legislation on wage transparency, providing employers with an opportunity to evaluate their compensation structures to ensure they are objective, equitable, and competitive^[10]. Under this Directive, employers with EU-based staff must disclose detailed information regarding the methodologies used to determine pay levels, as well as the criteria applied for promotions, salary increases, and career development.

Beyond regulatory mandates, many organizations, both public and private, have begun integrating environmental, social, and governance (ESG) considerations into their operations^[11]. Initially voluntary^[12], these initiatives are increasingly tied to international frameworks supported by United Nations^[13]. Many companies worldwide have embraced this approach and are devoting special attention to the employees' needs, rights, well-being, and qualifications, as an integral part of their Corporate Social Responsibility. Compiling and applying

^[9] CULLEN, Z. (2023). Is pay transparency good? Harvard Business School Working Paper, No. 23-039; TROTTER, R. G., ZACUR, S. R., & STICKNEY, L. T. (2017). The new age of pay transparency. Business Horizons, 60(4), 529–539 SCHUMANN, L. (2024). Pay transparency and pay communication. Compensation & Benefits Review, 56(1), 7–15.

^[10] European Union (EU). (2023). Directive 2023/970 of the European Parliament and of the Council to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms. [11] EC – European Commission. (2023). The Commission adopts the European Sustainability Reporting Standards.

^[12] BAZANTOVA, I. (2018). Corporate social responsibility: From voluntary concept to mandatory reporting. Journal of International Scientific Publications: Economy & Business, 12. [13] United Nations (UN). (2015). Agenda for Sustainable Development.

fair pay strategies that go beyond mandated disclosure requirements contributes to the successful strategy for the financial outcomes of their businesses.

As part of the global market and in its drive toward full EU integration, Albania must implement these legislative and voluntary regulatory approaches to support its development and accession process. In this framework, to assess Albania's readiness for pay transparency policies, our exploratory study will examine existing laws, regulations, and practices related to pay transparency to address the question: *How prepared is the Albanian economy to support the implementation of pay transparency policies?* To answer this, we employ a qualitative analysis that is approached from two main perspectives:

- First, the Albanian legal framework requires employers to uphold employees' rights to information on salary levels, compensation, pay equity, and career advancement;
- Second, the regulatory practices of the private sector in managing human resources to attract and retain talent, enhance employee satisfaction, and boost motivation, productivity, and creativity.

The study aims to provide insights, identify areas for improvement, and offer practical recommendations.

PAY TRANSPARENCY WORLDWIDE VS. IN ALBANIA

3.1. THE DRIVERS OF PAY TRANSPARENCY

In the last few years, many countries have implemented legislative initiatives aimed at improving pay transparency as a tool to combat wage discrimination, particularly gender-based disparities, and to promote fair labor practices in line with International Labour Organization (ILO) standards. On the other side, the business reaction is not always in line with suggested transparency, and the cultural resistance can vary significantly.

Previous^[14] and recent research^[15] have pointed out that pay communication approaches occur along a continuum with one extreme representing complete pay secrecy and the other representing complete pay openness. Such transparency range contains a variety of pay secrecy and pay openness strategies residing between the two extremes, and companies can make choices following their organizational policies. The decision-making might depend on the (widely accepted) benefits and risks accompanying the pay transparency.

Research from Marasi & Bennett^[16] emphasizes that pay openness positively influences organizational commitment, because employees appreciate the open communication of pay information and feel the organization's trust. The pay transparency creates justice perceptions for distributive justice, improving the organization's image and affecting recruitment and talent retention. These organizations' practices encourage positive behavior and trust from the employees' side, due to higher chances for honest and correct addressing of any concern about pay. It reinforces the favorable perceptions of informational and procedural justice, as well as the sense of fair treatment of employees by the organization.

However, the pay transparency/ secrecy issue should be dealt with from both sides: the organization's intentions and readiness to provide/ hide payment policy, and the employees' disposition for declared payment information, open to workmates, future potential employers, and other persons. Although there is limited literature analyzing employee preferences and organizational strategies, both pros and cons attitudes toward pay openness culture have been observed in practice. Despite the potential for positive outcomes, research shows that pay transparency can also lead to unintended consequences.

^[14] LAWLER, E.E. (1965). Managers' perceptions of their subordinates' pay and of their superiors' pay. Personnel Psychology, 18(4), 413–423

^[15] MARASI, S., & BENNETT, R. J. (2016). Pay communication: Where do we go from here? Human Resource Management Review, 26, 50–58; STOFBERG, R., MABASO, C. M., & BUSSIN, M. H. R. (2022). Employee responses to pay transparency. SA Journal of Industrial Psychology, 48(0), a1906.

 $^{^{[16]}}$ MARASI, S., & BENNETT, R. J. (2016). Pay communication: Where do we go from here? Human Resource Management Review, 26, 50–58

Employees may experience dissatisfaction if they perceive inequities in pay that are not clearly justified. Moreover, concerns about personal privacy remain, especially in cultures where salary discussions are traditionally avoided.

A study by WorldatWork^[17] showed that only 1% of companies (that were part of the study) reported full pay transparency, while 46% indicated moderate levels, and 13% significant transparency. This suggests that despite legislative progress, organizational practices remain cautious, especially in the private sector.

3.2. THE SITUATION IN THE PUBLIC SECTOR IN ALBANIA

The abovementioned international efforts highlight the importance of clear legal mandates and cultural acceptance of transparency practices. Having a limited experience in the field, Albania has a long way to go, even though, factually, there have been changes recently.

Firstly, it is worth mentioning that the public sector is setting a good example by declaring the wages on the website for job postings (dap.gov.al). As SIGMA report^[18] points out, the legislative framework, including secondary and tertiary legislation on recruitment, performance appraisals, professional development, and disciplinary procedures and dismissals, fulfills high standards. It ensures that civil servants have the necessary basis to perform their duties with professionalism, neutrality, and accountability, and limits political interventions in HR processes. This is a model applied in different countries according to recent literature. In Estonia, as well as 18 U.S. states, government employee salaries are made public, ostensibly to enhance government accountability^[19].

^[17] MERCER (2020). The case for pay transparency

 $^{^{[18]}}$ SIGMA Monitoring Reports. (2025). Public administration in Albania 2024 – Assessment against the principles of public administration. A joint initiative of OECD and EU.

^[19] CULLEN, Z. (2023). Is pay transparency good? Harvard Business School Working Paper, No. 23-039.

However, when it's the case of implementing the regulatory framework in the Albanian public sector, some distortions are evident. There are cases of applying different standards regarding specific compensations/ allowances, or data on salaries is not regularly monitored and reported, including the gender pay gap. Such deviations can undermine the transparency of the system, as job announcements only provide a salary grade rather than specific information on offered salaries. The latest survey^[20] in the public service provides divergent results. Availability and transparency of salary information get 2 points (of 8), showing low levels of conformity when assessing the attractiveness of employment and work conditions. Despite that, generally the announced job description, work conditions, and pay and benefits ranges have contributed to an increased satisfaction of employees in the public sector, which is also demonstrated by their willingness to recommend their organization as a good place to work. On the other side, actual salaries and data on the gender pay gap are not regularly monitored, and there is no publicly available information on this area, which underlines the existing gap between strong legislation and weak implementation practices. Still, the experience of the public sector can be more easily transferred to the private sector, in case the legislative framework on pay transparency is endorsed at the country level.

Secondly, it has been proved that the openness of information about the salaries and the changes in the public sector, especially during the last three years, has brought an increase in the average monthly wage even in the private sector. The data from INSTAT reveal the differences between the public and private average wages and the increasing trend for both (Fig.1).

Despite the increasing trend in both sectors, there are considerable differences in wages according to professions. A comparison of employees' salaries with higher education in the public and private sectors conducted in 2024

 $^{^{[20]}}$ SIGMA Monitoring Reports. (2025). Public administration in Albania 2024 – Assessment against the principles of public administration. A joint initiative of OECD and EU.

by INSTAT, at the request of DoPA, indicated that average salaries in the private sector are only 4% higher than in the public administration^[21].

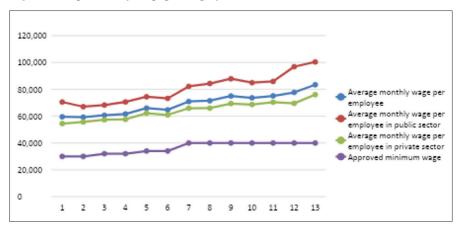


Fig. 1. Average monthly wage per employee, Quarter 4/2021 - Quarter 4/2024

Source: INSTAT, 2025

The situation is different in other industries or functional areas, which affects the preferences of employees to work in the public or private sector, considering also their career.

3.3. Pay transparency variation in the private sector

It is broadly accepted that the private sector is the engine of Albania's development^[22]. However, a deeper look into the private sector reveals significant areas in need of improvement, particularly regarding pay transparency, fairness, and related issues. The development of wage policies and internal regulatory acts is are essential component of human resource management (HRM). When companies blend their recruitment, selection, reimbursement

^[21] SIGMA Monitoring Reports. (2025). Public administration in Albania 2024 – Assessment against the principles of public administration. A joint initiative of OECD and EU.

^[22] World Bank. (2022). Albania report: Strong private sector key to Albania's future economy.

policies, and practices with a higher level of pay transparency, they get better results both internally and externally. They experience employee satisfaction, productivity increases, and improved company reputation.

The Labor Code does not impose obligations regarding pay transparency on private sector organizations. In such conditions, it's up to businesses and other organizations to make the decision about fair and transparent policies. Literature points out that some organizations may choose to be more transparent than others, even when pay transparency is not required by law^[23]. It is related to the understanding of the role the compensation policies play, both from the managers' and the employees' side. Open, true, and accurate information contributes to better decision-making about the human resources engaged and employees' careers^[24].

Previous research^[25] has found that the Albanian economy's preparedness for pay transparency is influenced by strong labor market policies, effective social protection systems, government reforms in tax and wage structures, and the need for enhanced social dialogue to address employment challenges and promote equitable wage distribution. Even the increased investments, especially the foreign direct ones, are an influencing factor in higher transparency and equality in payments policies^[26], that have led to more open information when different big companies announce their vacancies.

As part of this study, job postings in Albania were examined across multiple online job portals and social media channels. A quick review of approximately 100 job postings on LinkedIn, mainly for positions in management and software development, posted within the last two weeks of May 2025, revealed that none of them included a compensation range. The only information provided

 $^{^{[23]}}$ SCHUMANN, L. (2024). Pay transparency and pay communication. Compensation & Benefits Review, 56(1), 7-15.

^[24] ESCLUSA, E. (2023). The importance of empowering managers and employees on compensation. Forbes EQ Brand Voice, May 30, 2023.

^[25] SEJDINI, I., & SEJDINI, I. (2014). Real wages versus nominal wages in the Albanian economy. Academic Journal of Interdisciplinary Studies, 3(2). MCSER Publishing

^[26] SHEHU, A., & SHEHU, A. (2013). Extractive Industries Transparency Initiative – EITI: Outlook on the exploitation of Albanian mineral resources. Bulletin of the Geological Society of Greece, 47(4).

was that the compensation was 'good' and included bonuses. However, such vague descriptions leave room for assumptions, which may lead to dissatisfaction or misunderstandings later on. To further understand the dynamics of the labor market in Albania, <u>Duapune.al</u> (a well-known Albanian job portal) was also analyzed as part of the study. Of 926 jobs, for the last month (May 2025), only around 4% showed information about the exact wage, or a range of it.

Such a lack of information and transparency can sometimes bring worse consequences than expected. It is a well-known fact that even under pay secrecy conditions, employees still make pay comparisons. Moreover, salary is an emotional topic for most people, and any unforeseen disclosure of information about individual wages might cause abrupt reactions. This occurred in Albania in 2021, and both individuals and institutions became aware of the consequences for the private, professional, and family lives of citizens. It was considered a violation of fundamental freedoms and rights, sparking the need for official intervention from the Commissioner for Information Rights and Protection of Personal Data^[27].

CONCLUSIONS

The employer's right to be informed about salaries, career, and advancement issues is slightly considered and explored by researchers and practitioners in Albanian literature. The Albanian legislation provides a general designation of the employee's rights regarding pay transparency. However, the public sector is in the vanguard of the economy in terms of regulated recruitment and payment policies.

There is increased interest among employees and their support organizations about pay transparency, while neither the legislative framework nor the general practices uphold it. Several big companies that have embraced Corporate Social Responsibility are taking care of their employees' development and displaying

^[27] https://idp.al/

the necessary information on their websites. Sectors like banking, communication, IT, cement, and some other services are making a difference and can serve as benchmarks for other sectors and companies as well.

Ensuring pay transparency at the country level requires a comprehensive approach and the commitment of stakeholders like public and controlling institutions, private organizations, academia, and civil society. Some of the measures and actions recommended include:

Strengthen Enforcement: Enhance the capacity of labor inspectorates and relevant authorities to monitor and enforce pay transparency laws effectively.

Promote Private Sector Compliance: Encourage private enterprises to adopt transparent pay practices through incentives and awareness campaigns.

Address Informality: Implement strategies to formalize employment relationships, ensuring accurate reporting of wages and employment data.

Tackle Cultural Barriers: Initiate public education campaigns to challenge societal norms that hinder discussions about compensation and perpetuate gender disparities.

By addressing these areas, Albania can foster a more equitable and transparent labor market, benefiting both employees and employers.

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